GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1629
ANSWERED ON:25.11.2016
Service Charges on Bills
Azad Shri Kirti (JHA)

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that many hotels and restaurants are adding service charges on bills;

(b) if so, the details thereof and the reasons therefor; and

(c) the steps taken by the Government to curb the practise?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SANTOSH KUMAR GANGWAR)

(a), (b) & (c): It has been brought to the notice of the Department of Consumer Affairs that hotel and restaurants are following the practice of charging 'service charges' in lieu of tips. The Consumer Protection Act, 1986 has been enacted to provide for better protection of the interests of the consumers. Under the said Act, a three tier quasi-judicial mechanism, called Consumer Forum has been established at the District, State and Central Level. As per Section 2(1)(r) of the Act, "unfair trade practice" means a trade practice which, for the purpose of promoting the sale, use or supply or any goods or for the provision of any service, adopts any unfair method or unfair or deceptive practice. In view of the above, charging of 'service charges' by hotels and restaurants can be treated as 'unfair trade practice' if it is charged without the knowledge and consent of the consumers, against which a consumer can file a complaint in a Consumer Forum.
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